LMI Explained: Myth vs. Fact

Texas General Land Office
Community Development and Revitalization

The U.S. Department of Housing and Urban Development (HUD) requires that 70% of Community Development Block Grant for Disaster Recovery (CDBG-DR) funds for Hurricane Harvey be used to benefit low- to moderate-income (LMI) persons. A household is considered LMI if they make less than 80% of the area median income (AMI). Infrastructure projects meet this requirement if 51% of households benefitting from the project are LMI.

MYTH.

The GLO decided to calculate LMI at the municipal and county level.

FACT.

The rules for LMI requirements are clearly defined by HUD on page 5855 in the Federal Register notice published Feb. 9, 2018. HUD considers a household as LMI if they make less than 80% of the area median income. For infrastructure projects, HUD requires 51% of households in the area benefitting from the project to be low- to moderate-income. HUD datasets provide estimates of the number of LMI persons by specific areas, called census tracts and block groups, based on the 2006-2010 American Community Survey five-year estimates and annually revised income limits set by HUD or door-to-door surveys.

MYTH.

The GLO has not advocated for a reduction of the 70% LMI requirement.

FACT.

The GLO requested a reduction of the LMI requirement to HUD multiple times but HUD has kept it at 70%. The GLO agrees that the 70% requirement is not representative of a disaster impact, which can have varying effects on a community.

MYTH.

Recovery is being managed from Austin without local involvement.

FACT.

The methods of distribution for the funds allocated for the Local Buyout and Acquisition Program as well as the Local Infrastructure Program were conducted by the Councils of Government (COGs) representing affected counties. COGs are made up of elected officials from the participating counties and municipalities. The GLO chose to work through COGs because they represent local governments familiar with the unique needs of their area.

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MYTH. The GLO can waive LMI requirements for housing projects.

HUD mandates that 70% of all CDBG-DR funds be used for activities that benefit LMI individuals, but HUD has said they will consider waiver requests. The GLO can help a community prove that a project meets HUD's LMI requirement and can also support a community in developing a request for a waiver from the LMI requirement. A potentially effective waiver petition would demonstrate how LMI populations are being served through other means. A community could also demonstrate how abiding by the LMI restriction makes a project ineffective. The GLO will then work to present the project for potential approval to HUD. The data supporting the waiver request must be developed by the community, but the GLO is committed to helping communities with HUD's waiver process. The GLO does not have the authority to waive HUD's LMI requirements for housing projects. **FACT.**

MYTH. The GLO can waive LMI requirements for infrastructure projects.

To contribute to HUD's 70% LMI requirement, 51% of the households in the area benefitting from a CDBG-DR funded infrastructure project must be low- to moderate-income. In other words, if 51% of residents benefiting are LMI, then the full cost of the project goes toward the 70% requirement. The GLO does not have the authority to waive HUD's LMI requirements for infrastructure projects. **FACT.**

MYTH. A community must spend 100% of any disaster recovery funds on LMI projects.

Every MOD allocated funds to communities with a requirement that 70% be spent on LMI eligible projects. This would mean a community could spend \$300,000 on non-LMI projects for every \$1 million of CDBG-DR funds allocated for Hurricane Harvey. A community must only define service areas that are 51% LMI to meet the LMI area benefit, which means that 49% may be non-LMI in the service area of the project. **FACT.**